

August 11, 2010

SOCIAL SECURITY KEEPS 20 MILLION AMERICANS OUT OF POVERTY: A STATE-BY-STATE ANALYSIS

by Paul N. Van de Water and Arloc Sherman

Social Security benefits play a vital role in reducing poverty. Without Social Security, according to the latest available Census data (for 2008), 19.8 million more Americans would be poor. Although most of those kept out of poverty by Social Security are elderly, nearly a third are under age 65, including 1.1 million children. (See Table 1.) Depending on their design, reductions in Social Security benefits could significantly increase poverty, particularly among the elderly.

TABLE 1: Effect of Social Security on Poverty, 2008			
Age Group	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Children Under 18	20.5	19.0	1,117,000
Adults Aged 18-64	14.5	11.7	5,281,000
Elderly Aged 65 and Over	45.2	9.7	13,410,000
Total, All Ages	19.8	13.2	19,808,000
Memorandum:			
Women Aged 65 and Over	49.7	11.9	8,120,000

Source: Center on Budget and Policy Priorities based on data from the U.S. Census Bureau, Current Population Survey, March 2009.

Social Security Lifts 13 Million Elderly Americans Out of Poverty

Almost 90 percent of people aged 65 and older receive some of their family income from Social Security.¹ Without Social Security benefits, 45.2 percent of elderly Americans would have incomes

¹ Kathy A. Ruffing and Paul N. Van de Water, *Top Ten Facts About Social Security*, Center on Budget and Policy Priorities, forthcoming.

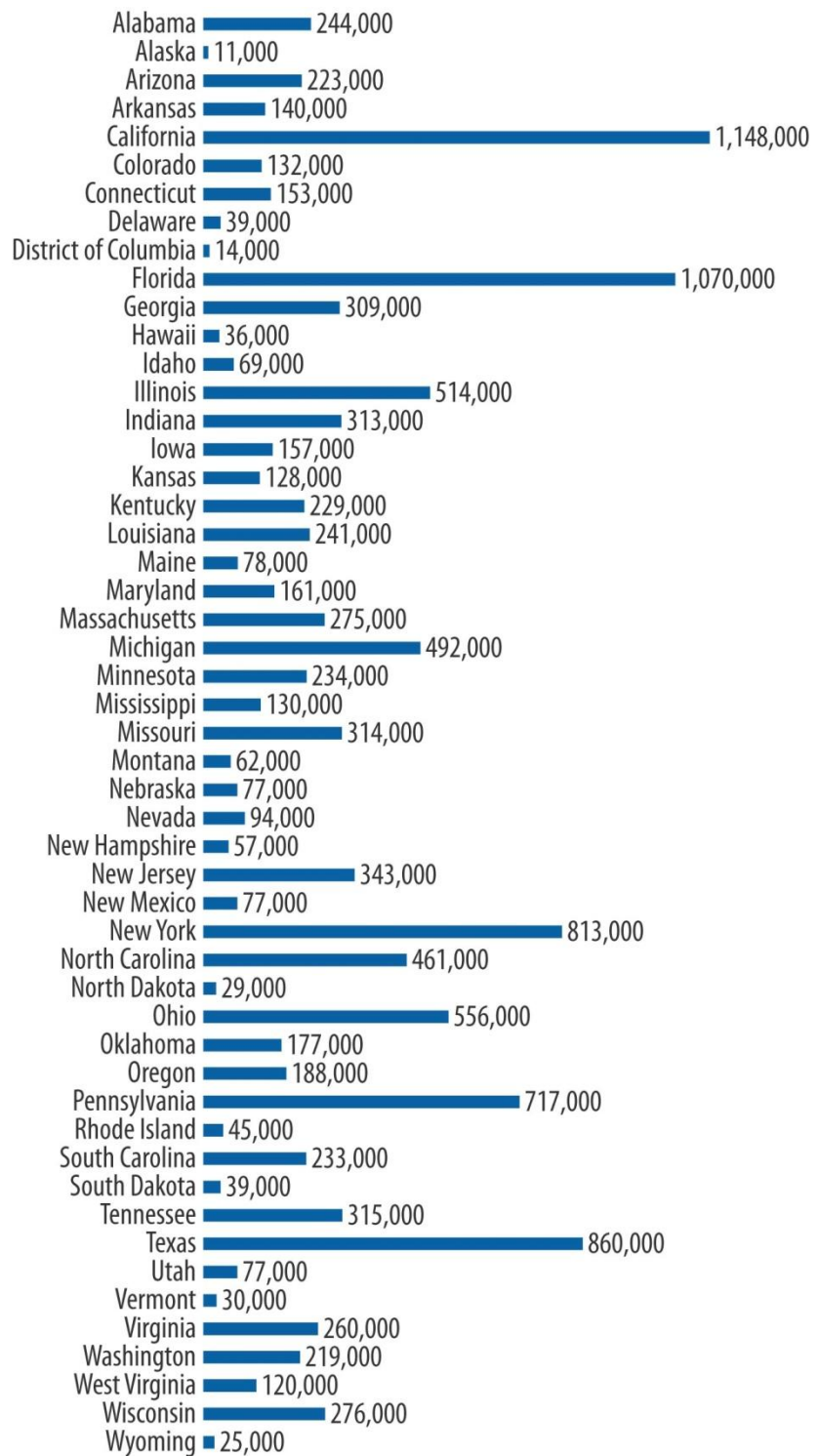
below the poverty line, all else being equal. With Social Security benefits, only 9.7 percent are poor. Some 13.2 million elderly Americans are lifted out of poverty by Social Security.

Social Security reduces elderly poverty dramatically in every state in the nation, as shown in Figure 1 and Table 2. Without Social Security, the poverty rate for those aged 65 and over would exceed 40 percent in 42 states. With Social Security, the elderly poverty rate in the large majority of states is less than 10 percent. Social Security lifts 1.1 million elderly people out of poverty in California and Florida, almost 900,000 in Texas, and 800,000 in New York.

Social Security Lifts More Than 1 Million Children Out of Poverty

Social Security is important for children and their families as well as for the elderly. About 6 million children under age 18 (8 percent of all U.S. children) lived in families that received income from Social Security in 2008, according to Census data. Over 3 million children received their own benefits as dependents of retired, disabled, or deceased workers. Others lived with parents or relatives who received Social Security benefits. In all, 1.1 million children are lifted out of poverty by Social Security.

FIGURE 1:
Social Security Reduces Number of Elderly Poor in Every State



Source: Center on Budget and Policy Priorities based on data from the U.S. Census Bureau, Current Population Survey, March 2007-2009. Estimates are an average for 2006-2008.

Social Security records show that 3.2 million children under age 18 qualified for Social Security payments themselves in December 2009. (See Table 3.) Of these, 1.3 million were the survivor of a deceased worker. Another 1.6 million received payments because their parent had a severe disability. And 301,000 children under 18 received payments because their parent or, in some cases, grandparent was retired.²

Technical Note

This analysis uses the official definition of poverty used by the Census Bureau. In determining poverty status, the Census Bureau compares a family's cash income before taxes with poverty thresholds that vary by the size and age of the family. The poverty thresholds in 2008 were \$10,326 for an elderly individual, \$13,014 for an elderly couple, and \$22,025 for an average family of four. To calculate the anti-poverty effects of Social Security, we determined each family's poverty status twice — first excluding and then including the family's Social Security benefits.

Our analysis uses data from the Census Bureau's Current Population Survey (CPS), the survey that is used to produce official poverty estimates.³ Each March the CPS collects information on personal income, health coverage, and other social and economic characteristics for the previous year. The national estimates reported here are for 2008. The state-by-state estimates are based on a three-year average (for 2006, 2007, and 2008) to improve the reliability of the results.

One critic of estimates such as these argues that they “do nothing to answer the question of what would have happened if Social Security had not existed.”⁴ Indeed, this analysis does not take into account other changes that would occur in the absence of Social Security. If Social Security did not exist, most elderly individuals likely would have saved somewhat more and worked somewhat longer. Other studies confirm, however, that Social Security has made a very large contribution to reducing poverty, and that cutting Social Security benefits could substantially increase poverty among the elderly.⁵

² Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin*, 2010, Table 5.J10.

³ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, Series P60-236, September 2009.

⁴ Charles P. Blahous III, *Reforming Social Security for Ourselves and Our Posterity*, Westport, CT: Praeger, 2000, p. 13.

⁵ Eugene Smolensky, Sheldon Danziger, and Peter Gottschalk, “The Declining Significance of Age in the United States: Trends in the Well-Being of Children and the Elderly Since 1939,” in John L. Palmer, Timothy Smeeding, and Barbara Boyle Torrey, eds., *The Vulnerable*, Washington: Urban Institute, 1988; Gary V. Engelhardt and Jonathan Gruber, “Social Security and the Evolution of Elderly Poverty,” National Bureau of Economic Research Working Paper 10466, May 2004.

TABLE 2:

Effect of Social Security on Poverty Among the Elderly by State, 2006-2008

	Percent in Poverty		Number Lifted Out of Poverty by Social Security
	Excluding Social Security	Including Social Security	
Alabama	49.2	10.9	244,000
Alaska	28.9	5.3	11,000
Arizona	40.3	9.1	223,000
Arkansas	53.0	12.7	140,000
California	37.4	8.1	1,148,000
Colorado	37.1	9.9	132,000
Connecticut	40.8	6.9	153,000
Delaware	40.3	6.6	39,000
District of Columbia	37.4	15.6	14,000
Florida	46.4	10.3	1,070,000
Georgia	46.8	10.5	309,000
Hawaii	27.0	7.4	36,000
Idaho	43.9	7.6	69,000
Illinois	44.7	8.0	514,000
Indiana	49.8	9.1	313,000
Iowa	46.8	6.3	157,000
Kansas	44.5	7.0	128,000
Kentucky	55.0	11.9	229,000
Louisiana	56.7	13.1	241,000
Maine	47.9	8.8	78,000
Maryland	34.1	9.2	161,000
Massachusetts	41.9	9.8	275,000
Michigan	45.9	7.7	492,000
Minnesota	42.9	5.7	234,000
Mississippi	55.4	18.2	130,000
Missouri	47.5	6.8	314,000
Montana	56.0	8.1	62,000
Nebraska	43.6	6.5	77,000
Nevada	37.5	6.5	94,000
New Hampshire	41.5	6.0	57,000
New Jersey	40.2	9.1	343,000
New Mexico	44.3	12.7	77,000
New York	45.0	12.5	813,000
North Carolina	51.7	10.6	461,000
North Dakota	46.1	8.6	29,000
Ohio	46.7	8.0	556,000
Oklahoma	46.9	10.2	177,000
Oregon	47.1	7.9	188,000
Pennsylvania	47.7	8.7	717,000
Rhode Island	41.9	8.3	45,000
South Carolina	50.7	11.0	233,000
South Dakota	43.1	8.2	39,000
Tennessee	49.3	11.6	315,000
Texas	46.8	12.6	860,000
Utah	41.3	6.8	77,000
Vermont	47.8	10.7	30,000
Virginia	39.8	10.1	260,000
Washington	38.0	7.8	219,000
West Virginia	55.8	9.6	120,000
Wisconsin	49.5	8.8	276,000
Wyoming	45.9	8.8	25,000

Source: Center on Budget and Policy Priorities based on data from the U.S. Census Bureau, Current Population Survey, March 2007-2009.

**TABLE 3:
Social Security Beneficiaries by State and Age, December 2009**

	Total	Age 65 and Older	Children Under Age 18
Alabama	983,341	603,628	77,421
Alaska	74,678	47,821	7,256
Arizona	1,028,442	730,645	60,002
Arkansas	620,040	386,480	48,425
California	4,835,164	3,488,517	275,719
Colorado	663,894	477,256	36,436
Connecticut	611,276	459,881	30,435
Delaware	167,530	116,913	9,564
District of Columbia	73,093	51,479	4,883
Florida	3,669,375	2,694,725	183,594
Georgia	1,412,978	916,186	103,659
Hawaii	220,491	166,593	11,396
Idaho	258,691	180,265	15,583
Illinois	1,993,199	1,433,411	114,201
Indiana	1,157,821	791,781	71,067
Iowa	574,315	427,910	25,476
Kansas	478,138	344,378	27,072
Kentucky	870,206	526,606	65,771
Louisiana	770,217	489,625	64,442
Maine	293,011	195,853	17,382
Maryland	826,497	598,985	49,498
Massachusetts	1,117,870	796,641	64,843
Michigan	1,905,342	1,283,186	115,516
Minnesota	857,805	629,056	40,494
Mississippi	583,515	349,830	52,689
Missouri	1,137,581	767,694	72,053
Montana	187,197	133,236	9,877
Nebraska	303,880	226,192	15,153
Nevada	390,553	277,638	22,894
New Hampshire	245,563	169,238	15,598
New Jersey	1,440,943	1,069,348	75,891
New Mexico	347,976	234,380	23,888
New York	3,214,780	2,273,704	183,947
North Carolina	1,698,677	1,123,672	105,219
North Dakota	118,493	90,175	5,008
Ohio	2,074,384	1,466,804	110,919
Oklahoma	688,545	463,341	45,713
Oregon	686,777	491,947	30,953
Pennsylvania	2,530,211	1,814,653	133,362
Rhode Island	200,202	141,141	10,982
South Carolina	889,876	578,014	58,268
South Dakota	150,432	113,148	6,956
Tennessee	1,212,968	787,049	82,232
Texas	3,320,462	2,259,018	239,675
Utah	312,029	221,174	23,172
Vermont	124,585	86,174	6,984
Virginia	1,246,366	863,903	75,461
Washington	1,049,039	745,854	52,041
West Virginia	436,445	270,612	28,611
Wisconsin	1,033,096	739,768	51,408
Wyoming	88,514	63,654	4,876
Total^a	52,522,819	36,594,122	3,157,987

Source: Social Security Administration, *Annual Statistical Supplement, 2010*, Table 5.J5, and *OASDI Beneficiaries by State and County, 2009*.
^a Includes outlying areas and foreign countries (not shown).

